



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

WHAT CERTAIN CITIES HAVE ACCOMPLISHED WITHOUT STATE REGULATION

BY STILES P. JONES,

Secretary, Voters League, Minneapolis, Minnesota.

The list of cities that have achieved something worth while in the way of regulation of their utilities is a fairly long one. There is time here but for a review of the main facts of the larger successes of but a few.

Admitting that state regulating commissions have been of substantial service to communities struggling with public utility problems, the bald fact yet persists that it is in cities that have worked out their own salvation that the largest degree of success in rates and service has been achieved. Success in this field, however, cannot be wholly expressed in terms of rates and service. But I emphasize these first, for, quite humanly, they are the things in utility regulation that appeal most strongly to the public.

In those cities having the lowest rates for public utility service, it is a significant coincidence that they have been secured through the initiative and by the sole efforts of the community itself unaided by any agency of the state. In many cases the same may also be said as to the character of service rendered. And, contrary to modern theory of the proper thing in utility regulation, the results came through competition—competition forced upon the community either by the excessive rates charged by the existing company, or by unsatisfactory conditions as to service, or both. The methods may not have always been “scientific” from the standpoint of the regulation expert, perhaps sometimes of the rough and ready, or rule-of-thumb sort; but it is not with methods that we are concerned here, but results.

I would not have it understood that I regard the results as to rates and service as the only results, or even the chief results, of community control of public utilities. The greater results are seen in the educational effect upon the community and the preparation it furnishes for the time when public utilities must and will be taken over for community operation. Disinterested students of the public

utility problem should see by this time that there is but one logical and one correct solution of this great problem—that public utilities must become *in fact* public utilities, publicly owned and operated. This not alone to assure proper rates and service, but to divorce a necessary public function from the sordid motives of private interest and to remove the main contributing cause of the corruption and inefficiency of our city governments and the demoralization of the political life of our urban communities.

Vesting in the state the regulation of the cities' utilities seems to me nothing less than a weak and cowardly dodging of plain civic duty and responsibility. The effect must inevitably be the same upon the community as on the individual—the loss of will and purpose and capacity to do other things. Municipal ownership has not come to our cities, and will not, through the route of state regulation, no matter how efficient in the public interests that regulation may be. In fact, the greater the efficiency the more distant the final day of public ownership. Municipal ownership is coming rather through the trials and experiences of a city wrestling bravely with its own problems, working them out in its own way, be it good or bad for the time being, and fitting itself, through that experience, for the final step—the step which will end the long night of conscienceless exploitation of the most valuable resources of our cities and the debauching of their public life to make private profits.

What more fitting preparation for the responsibilities of that final step than the actual experience contained in the control of its utilities directly by the city? What better training for meeting successfully the other problems of city administration? And what more certain method of developing civic sense and responsibility and educating the citizens to work together for the common good?

Let me review at this point some of the larger achievements of cities and offer them in evidence of their capacity to protect the public in utility controversies.

My own city of Minneapolis offers interesting testimony of notable results secured through community initiative and perseverance. These results are particularly in evidence in the gas and street railway fields.

The controversy with the gas company over the renewal of its franchise in 1910 ended with the acceptance by the company of a contractual ordinance which, in its time, was considered by experts

to be in many respects a model of what a franchise contract ought to be. It had the defect of not including provision for purchase of the property by the city during the life of the contract and it was without provision for amortizing capital; but otherwise protected public interests well.

Under the terms of this contract the city enjoys an average rate of $77\frac{1}{2}$ per cent per thousand feet for the five year period ending April 1, 1918, with full publicity of accounts and operations and an eight-hour day and fair wage conditions for employees. Note the regard evidenced here for just industrial conditions among employees. The rate made for gas for this period was a comparatively low one considering the then cost of material entering into the manufacture of gas in the Minneapolis territory. The negotiations covered but a few weeks. The accompanying regulatory ordinance requires the company to maintain a monthly average of 600 B.T.U. as to heating efficiency, with present pressure requirements of two to four inches. This undoubtedly is the most efficient pressure standard in the interests of consumers maintained anywhere in the United States. These service standards were reached promptly and enforced to the letter ever since by a fearless and vigilant light inspector. This speedy action in reaching results as to service standards is in marked contrast to the situation in some of the states where state regulation prevails.

Street railway service in Minneapolis is admittedly equal to that of any in the country. The rush hour period—the weak link in the operation of so many companies—is particularly well cared for. This condition was not created voluntarily by the company, but forced upon it by the aggressive attitude of the council. The so-called strap hanger ordinance, adopted in July, 1911, making a standard car load to consist of one and one half the seating capacity of the car, was the beginning. Enforced vigorously from the start, the result was to force into service a sufficient number of new cars to meet reasonable requirements of service.

A city inspector checks up the situation on each line constantly and additional cars are ordered into service as fast as needed. He is responsible to the city council. Behind the council is the stimulating corrective of public sentiment, unceasingly vigilant in the matter of street car service. Should defects develop there is no appeal to a distant authority possessing no first hand knowledge of

the situation, and relief, if furnished at all, coming after exasperating delays. The remedy is right at hand and applied promptly.

The strap hanger ordinance was later supplemented by successive service ordinances on individual lines, and in 1913 an agreement was reached with the company by which it was to build $15\frac{1}{2}$ miles of new extensions during that and the following year. This program is now completed and every section of the city is well taken care of.

Thus an aggressive city council, directly responsible to the public and backed by public sentiment, was able to accomplish in short order a task which state commissions have failed to accomplish after long and thorough investigation and large expenditures of money; and at the expense of but \$125 a month, the salary of a single inspector. And withal no injustice was done the company. The 6 per cent dividends and large additions to surplus are still in evidence. With a franchise approaching its term limit, the opportunity will soon be at hand to secure substantial reductions in fares and a new contract embodying every up-to-date franchise essential. If the interests that have been demanding from the legislature state regulation of public utilities can be fought off successfully until that time, watch Minneapolis for a model street railway franchise!

Electric rates, not yet subject to local council regulation, have shown a steady downward tendency in the past few years, the result of vigorous pounding by the city council. The present maximum, 8.55 cents per kilowatt hour, still too high, compares favorably with cities where the service is furnished by a state regulated private monopoly. If the next legislature reaffirms the principle of the so-called "Nolan" bill of 1913 (killed by executive veto), giving Minneapolis authority to regulate electric rates, watch Minneapolis for rock bottom rates in this line!

It is pretty significant testimony to the effectiveness of the city's system of regulation of these utilities that their representatives spent much time at the legislative session of 1913 vigorously lobbying for the adoption of a bill creating a state public service commission. It was a case of anything to get away from the rigors of local regulation in the three cities of the state.

The price of gas in American cities has been steadily going downward for some years. But where do we find the lowest price? Not in the cities under state regulation, but in those cities that have fought out their gas problems unaided.

Indianapolis is the most notable instance. The maximum price in this city is 55 cents per thousand feet, the lowest maximum in any city in the United States, and a price fairly comparable with that in many of the European cities. This price was secured through contract agreement between the city and the Citizens' Gas Company, which entered the field a few years ago in competition with the old company, then charging 90 cents per thousand feet. The new concern made a price of 60 cents. The old company met this rate. Recently the Citizens' Gas Company has taken over its rival and competition no longer exists. As a sop to public opinion, naturally a little nervous over mergers of public utility rivals, the rate was reduced to 55 cents. Still lower rates are granted to large consumers. The only part the state public service commission appears to have taken in the matter was to give its official consent to the merger, although some of its enthusiastic friends insist that the 5 cent reduction should be credited to it.

I hesitate to defend the principle of competition in a public utility product as between privately owned utilities. But the Indianapolis situation emphasizes a phase of the subject that is worth consideration. As against the waste due to duplication of equipment, count the saving to consumers of gas in that city through the results of competition—30 cents per thousand feet for a series of years. The aggregate would probably far exceed the duplication waste. Will anyone contend that this price, or anything approximating it, would have been obtained by means of state regulation?

In the electric field the larger achievements in the matter of low rates have distinctly come through the initiative and civic energy of the "free" cities. Seattle, Washington, is a conspicuous instance.

In 1901 Seattle was in the grip of a private electric monopoly, charging 20 cents maximum for its service. The next year a city plant was projected. The price promptly dropped to 12 cents. When the municipal plant began operations, in 1905, the private plant made a further reduction to 10 cents. The city plant has made rates successively of 8 cents, 7 cents, and finally 6 cents maximum. The rate schedule is now 6 cents to 4 cents for residence lighting; 5 cents to 3½ cents for commercial lighting; 4 cents to ½ cent for power and 3 cents for cooking. The private concern has met the rate made by its competitor each time and the whole city has the benefit of these remarkably low rates. The city has a wonderful

water power plant, capable of large additions to power and with a distribution system serving the most remote suburbs. Its customers number 35,000. Its employees enjoy an eight-hour day, a six-days' working week and a living wage. Note again the community solicitude for the well being of the workers who furnish the service. Apparently the plant is managed in a thoroughly business-like way, providing out of earnings for the expense of maintenance and liberal sums for depreciation. The saving to consumers of electricity through the operation of the municipal plant has been enormous, estimated at not less than \$3,000,000 during the operating life of the plant.

The state commission in Washington has no power to interfere with municipal plants. But it is promised that attempts will be made to amend the public utility law to give the commission this power at the next session of the legislature. If this is accomplished it will be interesting to note its attitude toward the Seattle electric rate situation. Will the commission so "even up" things between the competing concerns as to perpetuate the private utility and maintain the present division of the Seattle electric field?

Winnipeg furnishes more testimony of what a city can do for itself when aroused to the necessity. The fact that this city is over the line in Manitoba does not detract from the value of the object lesson.

Winnipeg consumers of electric energy enjoy the lowest rates on the continent, a situation due solely to the fine enterprise and courage of its citizenship. The maximum rate for domestic lighting is but 3 cents. Power rates range from 3 cents to .72 of a cent, with further concessions for long time contracts and a special heating price of .9 of a cent. The original price, when the private company had sole possession of the field, was 20 cents maximum. This was reduced to 10 cents upon the completion of the municipal plant, and the private company has since met every reduction made by the city. The plant officials claim a saving for consumers of not less than \$600,000 a year during the time the plant has been in operation.

Enterprising community initiative has just won a notable victory in Kansas City, Kansas. This city, weary of making fat profits for the electric monopoly serving both cities on the river Kaw, built a municipal plant a few years ago. It established a rate of 6 cents to 3 cents for lighting and 3 cents to 1½ cents for power.

So successfully has the project been managed and so popular has it been with the consumers, that it will soon have the field exclusively to itself. The private company, which has been meeting the city rate, has recently announced that it will go out of business in that city early next year and serve only the big city across the river in Missouri where it is better appreciated.

No braver fight against heavy odds has been waged in the electric field than that of the city of Pasadena. Spurred to activity by the exploiting methods of the local monopoly, the city in 1908 erected a municipal plant. Electric consumers had been paying up to that time 15 cents maximum. The rate was reduced to 12½ cents as the agitation for a municipal plant grew in volume. The city plant began business with a rate of 8 cents maximum, which the private company promptly met. The city reduced its price in 1910 to 5 cents maximum with a secondary rate of 3 cents, a power schedule of 4 cents to less than 1 cent and still lower rates for off-the-peak load service. The estimated saving to the city has been \$100,000 a year during the life of the plant.

With the object of putting the municipal plant out of business, the private company, in 1913, reduced its maximum rate to 4 cents, probably less than cost. This company serves Los Angeles and surrounding points at rates ranging from 6½ cents to 10 cents maximum. The profits of operation in these places were being used to meet the deficits of operation in Pasadena, to the purpose of eventual subjection of the people of that city.

The last California legislature came to the rescue of the city by adopting an act prohibiting this special kind of unfair competition with municipal plants.

Working out its salvation by the municipal ownership route, Duluth, Minnesota, furnishes quite a remarkable example of determined civic purpose in the public utility field.

Heavily burdened with the excessive cost of creating a city on a steep rock bottom hillside, Duluth yet had the courage to take over the private water and gas plant for municipal operation when the company failed to meet its public obligations. The results of municipal ownership in this city have been two-fold—a disturbing factor was eliminated from local politics and the price of both water and gas substantially reduced—fully 50 per cent—and the quality of the service vastly improved. For eight years Duluth consumers

of gas have had a rate of 75 cents, a remarkably low price when the cost of distribution in that city is considered. Across the bay in Superior, Wisconsin, under the protection of state regulation, gas users for five years of that period paid to a private company \$1.40 per thousand feet.

Strengthened in its confidence to do things by the experience of its utility management, the Duluth public now purposes to take over the electric service for community operation, thus removing another troublesome political agency in the life of that city.

Detroit's long struggle with its street railway monopoly is too well known in the group before me to need reviewing in detail here. The lesson, however, fits in well with the subject and occasion. Out of that struggle Detroit has gained community solidarity and a keen civic consciousness. The city is well on its way to realize its long dream of municipal ownership of its street railway system, with rates and service based on the cost of the one and the public needs of the other, and profit and political interference and all the sordid accompaniments of private management eliminated.

During the progress of the struggle in Detroit, street railway rates were among the then lowest in the United States—eight tickets for 25 cents during the rush hour periods. The present arrangement of 7 tickets for 25 cents, good at all hours of the day, with universal transfers, equals the lowest rate yet secured through means of state regulation—that in Milwaukee. There is this significant difference, however: in Detroit the rate is an actuality, while in Milwaukee it waits on favorable action by the United States supreme court.

Detroit has also driven an excellent bargain with its gas utility. The price of 75 cents maximum, stepping down to 35 cents for the class of largest consumers, undoubtedly constitutes the lowest average price in the United States, next to Indianapolis.

Toledo has gone through a somewhat similar experience with its street railway company. Not yet so strongly committed to municipal ownership, nor so near its realization as Detroit, Toledo, out of its travails, has achieved conspicuous results in the matter of rates—a present working agreement of 3 cent fares at the rush hours and six tickets for 25 cents at other times, with universal transfers. But the largest gain to the Toledo public that has come out of this struggle is not in low fares, but rather in the development of a spirit

of community coöperation and sacrifice and a common growth toward the ideal of public management of the city's transportation and lighting functions.

No recital of the accomplishments of cities by their own unaided efforts would be complete without reference to Cleveland. Battling along for many years against heavy odds, but under inspired leadership, Cleveland has come through its struggles triumphantly. The 3 cent street railway fare, so long the vision of Tom Johnson, is realized. True, for the time being, beginning with September 1, the users of the transfer privilege must pay an extra cent to meet the cost of writing off some obsolete power equipment which perhaps might more justly have been charged to capital account. But the feasibility of the 3 cent fare, with reasonably adequate service, seems to be an established fact. Probably we are not yet ready to make general application of the 3 cent principle under the present liberal court attitude toward plant valuations and in view of the varying local transportation conditions. But Cleveland's example will be a great practical aid to other communities striving to create fair street railway conditions. The Cleveland lesson of public control of street railway finances and operations is of great value in this connection.

Cleveland now is leading another great public utility crusade—to prove to the urban world that a 3 cent maximum rate for electric energy is a practical proposition. A great modern electric plant, taking the place of the small suburban station that has for some years been furnishing electrical energy under city auspices, is now completed and ready to sell its product to all consumers at the maximum price of 3 cents per kilowatt hour. Already the powerful private concern has reduced its rates materially under the stimulus of real coming competition, in some cases equal to 50 per cent. The possibilities in this situation in the way of industrial expansion are enormous. Its effect in creating confidence in the community in its capacity to manage its own affairs and in making new standards of civic efficiency will be even greater.

Columbus, Ohio, without any of the spectacular accompaniments, court experiences and limelight publicity that have attended street railway struggles in Toledo, Cleveland and Detroit, has yet in its own way secured very substantial results in the way of rates.

Under the terms of the contract ordinance of 1901, the company, starting with a rate of seven tickets for 25 cents, has reached the

contract maximum of eight tickets for 25 cents, with universal transfers in each case. This result came through agreement between the city and the company. There were no long drawn out investigations by experts at heavy expense and no tedious court delays to wear out the patience of the people and postpone the actuality. And there is no reliable evidence yet produced that this settlement has done injustice to the company's interests.

There is no more heroic example today of a city plundered and its civic life debauched by its public utilities that is battling its way to freedom by its own efforts than San Francisco.

The city's privately owned street railway company, so long a disturbing factor in local government, failed pathetically to meet public necessities in the matter of adequate transportation facilities. The success of the exposition of 1915 was seriously jeopardized by this situation. In this emergency the city proceeded to construct a municipal line giving the city access to the exposition grounds. This line is being made the nucleus of an extensive municipal system by the construction of lines on streets on which the company's franchises have expired. Several of these are now in operation. The municipal system has been built at a cost per mile of less than one-half the capitalization of the private company's system. The probable ultimate result will be the acquisition by the city of the whole city transportation system, with operation direct by the municipality.

San Francisco is meeting its water problem with equal vigor, being about to take over the private company's plant and to develop an additional supply. Either proposition alone is sufficient to test the courage and the resources of any municipality.

I stated at the start that competition in some form was the means through which low rates and improved service in public utility products had been secured in the cities where low rates and good service are the most conspicuous. I do not desire to go on record at this time as defending the competitive system as the correct economic principle. Unquestionably, however, it has been very useful as the best available weapon of defense for distressed communities in their warfare with their public utilities. If state regulation is to displace it as the protector of the public interests, it must make a better showing in promptness of action and in material results than it has up to this time.

I also would make a clear cut distinction between competition between privately owned utilities and competition in which the municipality is a party. The statute handicaps placed upon a city to prevent recourse to municipal ownership are invariably heavy and the courts are available to add the element of uncertainty and tedious delay. It is, at best, a heart breaking job, with all the forces of intrenched privilege and conservatism in opposition. The provocation must be indeed great to induce a city to undertake the task. The existing private utility must obviously be flagrantly failing to meet its duty to the community. In such a situation, I believe the city to be fully justified in its course. I believe, too, that the offending utility, unaided by any official tribunal, should take its survival chances. It has no just right to demand or expect anything else. And the law that creates a state regulating commission and instructs it to interfere in such a situation to save profits for a private company or to guarantee the integrity of its investment, is not a just law nor one that serves public interests.